Audit of FHFA’s Fiscal Year 2017 Government Travel Card Program: FHFA Needs to Emphasize Certain Program Requirements to Travelers and Approving Officials

Audit Report • AUD-2018-014 • September 25, 2018
Executive Summary

The Federal Housing Finance Agency (FHFA or Agency), like other agencies, and its employees use government travel cards to pay for travel expenses. For fiscal year 2017, FHFA employees submitted 2,048 travel vouchers, totaling $2,954,116, all of which were paid by FHFA.

Last year, pursuant to the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act) and Office of Management and Budget (OMB) instructions, we completed a risk assessment of FHFA covering fiscal years 2015 and 2016. As reported, we concluded that based on FHFA’s internal control and other factors, the risk of illegal, improper, or erroneous purchases and payments through its travel card program during those two fiscal years was low (see Risk Assessment of FHFA’s Fiscal Years 2016 and 2015 Government Purchase Card and Travel Card Programs (March 27, 2017) (OIG-RA-2017-001) (online at www.fhfaoig.gov/reports/RiskAssessments)).

Because it has been four years since we last audited FHFA’s government travel card program, we audited the program’s policies, procedures, and transactions during fiscal year 2017. Our objectives were to determine whether (1) the Agency’s existing controls over the program provide reasonable assurance that improper payments will not occur or will be detected in the normal course of business and (2) payments for travel card transactions were properly supported as a valid use of Agency funds. We tested a sample of 68 travel vouchers as part of our audit.

We found that FHFA has adequate written policies and procedures for its travel card program. However, those policies and procedures were not always followed. We noted exceptions to travel requirements in our sample related to: reimbursement for lodging taxes in states that exempt such taxes when a government-issued travel card is used to pay for lodging (13 vouchers), late filing of travel vouchers (20 vouchers), lack of an approved travel authorization before travel was initiated (2 vouchers), and lack of a lodging receipt (1 voucher). Additionally, we found that two FHFA employees on official travel did not use their government-issued travel cards to pay for lodging expenses and two other employees not on official travel used their travel cards to pay for nominal personal expenses. During our audit, FHFA took action to obtain refunds of the lodging taxes in the tax-exempt states and to obtain the missing lodging receipt. Also, according to FHFA, the employees who used their travel cards while not on official travel promptly paid their card balances.

We make one recommendation to FHFA to address the shortcomings identified in this audit. In a written management response, FHFA agreed with
the recommendation. FHFA’s planned corrective actions are responsive to our recommendation.

This report was prepared by Heath Wolfe, Director of Audit Operations; with the assistance of Bob Taylor, Assistant Inspector General for Audits; and Christopher Mattocks, Auditor. We appreciate the cooperation of FHFA staff, as well as the assistance of all those who contributed to the preparation of this report.

This report has been distributed to Congress, OMB, and others, and will be posted on our website, www.fhfaoig.gov.

Marla A. Freedman, Deputy Inspector General for Audits /s/
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# ABBREVIATIONS

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<td>A/OPC</td>
<td>Agency/Organization Program Coordinator</td>
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<td>ARC</td>
<td>Department of the Treasury’s Bureau of the Fiscal Service Administrative Resource Center</td>
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<td>Charge Card Plan</td>
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<td>Federal Travel Regulation</td>
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<td>Federal Housing Finance Agency</td>
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<td>GAO</td>
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<td>Office of Management and Budget</td>
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<td>Travel Management Center</td>
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BACKGROUND.................................................................................................

Within FHFA, the Office of Budget and Financial Management manages the Agency’s government travel card program. This office is charged with ensuring that FHFA’s travel card program complies with the Charge Card Act\(^1\) and applicable OMB requirements.

In July 2009, FHFA entered into an interagency agreement with the Department of the Treasury’s Bureau of the Fiscal Service Administrative Resource Center (ARC) for services related to FHFA’s government travel card program. ARC uses SAP’s ConcurGov travel system for FHFA’s travel card program. ARC also monitors use of travel cards issued to FHFA and its employees. Pursuant to its interagency agreement with FHFA, each month ARC reviews all travel vouchers of $2,500 or more submitted by FHFA employees, and nine randomly selected travel vouchers of less than $2,500 to test compliance with the Federal Travel Regulation (FTR).

**Charge Card Act Requirements**

The Charge Card Act requires the head of each executive agency that has employees who use travel cards to establish and maintain internal control activities to ensure the proper, efficient, and effective use of such travel charge cards. Following are some of those control activities:

- A record exists in each executive agency of each holder of a travel card issued for official use;
- Periodic reviews are performed to determine whether each travel cardholder has a need for the travel card;
- Appropriate training is provided to each travel cardholder and each official with responsibility for overseeing the use of travel cards;
- Each executive agency has specific policies regarding travel cards issued for various component organizations and categories of component organizations, the credit limits authorized for various categories of cardholders, and categories of employees eligible to be issued travel cards; those policies are designed to minimize the financial risk to the Federal Government of the issuance of travel cards and to ensure the integrity of travel cardholders;

\(^1\) See Public Law No. 112-194.
• Each executive agency uses effective systems, techniques, and technologies to prevent or identify improper purchases; and

• Each executive agency ensures that the travel card of each employee who ceases to be employed by the agency is invalidated immediately upon termination of employment.

Additionally, the Charge Card Act requires: (1) the Inspector General of each executive agency with more than $10 million in travel card spending to conduct periodic audits or reviews of travel card programs to analyze the risks of illegal, improper, or erroneous purchases and payments. The audit or review findings along with recommendations to prevent improper use of travel cards should be reported to the OMB Director and Congress; and (2) each executive agency will provide for appropriate adverse personnel actions to be imposed in cases where employees of the executive agency fail to comply with applicable travel card terms and conditions or applicable agency regulations or commit fraud with respect to a travel charge card, including removal.

**OMB Requirements**


Circular A-123, Appendix B requires federal agencies, including FHFA, to maintain and annually submit to OMB a Charge Card Management Plan (Charge Card Plan) no later than January 31. The Charge Card Plan is to include the following elements:

• Identification of key management officials and their responsibilities for the travel card program. These officials will include, but are not limited to, the agency/organization program coordinator (A/OPC),\(^2\) approving officials or other equivalent officials, and other accountable/billing officials;

• Establishment of a process for formal appointment of cardholders and approving officials, where applicable;

• Description of agency training requirements;

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\(^2\) FHFA’s Financial Management Operations and Systems Manager serves as A/OPC for the Agency.
• Management controls, policies, and practices for ensuring appropriate travel card usage and oversight of payment delinquencies, fraud, misuse, or abuse;

• Establishment of appropriate authorization controls;

• Explanation of how available reports and data are used for credit checks, monitoring delinquency, misuse, performance metrics, spend analysis, and other relevant transactions and program management issues;

• Documentation and record retention requirements;

• Recovery of travel cards and other documentation when employees terminate employment and, if applicable, when an employee moves to a different organization; and

• Description of how the agency will ensure the ongoing effectiveness of the actions taken pursuant to this guidance, including, but not limited to, evaluating the effectiveness of training, risk management controls, and refund management controls.

Circular A-123, Appendix B also prescribes policies and procedures to agencies regarding how to maintain internal controls that reduce the risk of fraud, waste, and error in government charge card programs.

OMB M-13-21 requires federal agencies, including FHFA, to review and update their Charge Card Plan, as necessary, to reflect the following internal control activities:

To deter employee misuse of government cards, FHFA must implement penalties for card violations that are jointly developed by Agency card management and human resources components. These penalties must include salary offset, for instances of personal liability, and disciplinary actions for a cardholder or approving official’s illegal, improper, or erroneous purchases made with a purchase card, convenience check, integrated card, or travel card. Disciplinary actions should include dismissal, as appropriate. FHFA’s Charge Card Plan must define and apply appropriate and consistent employee disciplinary procedures, and comply with joint external reporting required of the FHFA Office of Inspector General (OIG) and Agency management; and

• To provide a summary of FHFA’s efforts to assess its internal controls, FHFA must summarize its overall results in completed compliance summaries and internal control assurance assessments in its annual Charge Card Plan.
Applicability of the Federal Travel Regulation to FHFA

The FTR, issued by the General Services Administration, applies to appropriated federal agencies. Among other things, the FTR requires:

- Travelers to submit travel authorizations prior to commencing travel;
- Travel authorizations should detail the expenses that the agency will pay;
- Travelers must ensure that all travel expenses are prudent and necessary;
- Travelers must provide a lodging receipt and a receipt for every authorized expense over $75 or a reason explaining why a receipt could not be furnished;
- Travelers must use their agency’s existing Travel Management Service (TMS)\(^3\) to make travel arrangements;
- Travelers with government contractor-issued travel charge cards are required to use the cards for all official travel expenses unless exempted; and
- Travelers must submit travel vouchers within 5 working days after they complete their trip or period or travel; or every 30 days if they are on continuous travel.

FHFA holds the view that, as an independent agency, it is not subject to the FTR. It has adopted a Travel Policy that states that FHFA will reimburse travel and travel-related expenses incurred in the performance of official business in accordance with the FTR and the Travel Policy. The Travel Policy further states that, to the extent inconsistencies arise between it and the FTR, the Travel Policy will control.

FHFA’s Travel Policy and the FTR require FHFA employees to prepare travel authorizations for approval by authorized officials, prior to the planned travel. No FHFA employee may incur travel expenses prior to approval of the travel authorization. After the completion of travel, FHFA employees are required by FHFA’s Travel Policy and the FTR to submit completed travel vouchers for review and approval by authorized officials to obtain reimbursement for expenses incurred during travel.

During fiscal year 2017, FHFA records report a total of 169 FHFA travel cardholders. Of these 169 FHFA travel cardholders, 59 were authorized by FHFA to “self-approve” their own

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\(^3\) TMS is a service for booking common carriers (e.g., air, rail, and bus), lodging accommodations, and car rental services as well as fulfilling (i.e., ticketing) reservations. A TMS may include a travel management center (TMC), commercial ticket office, an electronically available system, other commercial methods of arranging travel, or an in-house system.
travel authorizations because of their travel frequency.\textsuperscript{4} FHFA’s Travel Policy requires those employees who “self-approve” travel authorizations to prepare travel vouchers that must be reviewed by authorized officials.

For fiscal year 2017, ARC reviewed 271 travel vouchers paid by FHFA to determine whether the vouchers complied with the FTR and, separately, whether the vouchers tested had all required receipts attached. ARC noted that 11 vouchers (4%) tested had FTR errors (either overpayments, underpayments, or another FTR noncompliance\textsuperscript{5}) and 18 vouchers (7%) did not have all required receipts attached. While ARC’s testing is limited to the requirements of FTR, these FTR compliance exceptions were also FHFA Travel Policy compliance exceptions.

\textbf{OIG’s Prior Purchase Card Audit}

In 2014, we issued an audit report on FHFA’s travel card program.\textsuperscript{6} In that report, we reported that no misuse or fraudulent travel card transactions were identified during the audit. We further noted that with limited exceptions, FHFA had implemented adequate safeguards and internal controls with respect to travel cards, but that certain controls to ensure compliance with applicable travel regulations, policies, and procedures could be strengthened to further enhance FHFA’s travel card management. FHFA management took corrective actions to address the prior audit recommendations.

\textsuperscript{4} FHFA’s Travel Policy does not explicitly address the self-approval of travel authorizations. As the A/OPC explained in writing:

\begin{quote}
FHFA grants employees involved in examination related travel self-approval authority in ConcurGov. This authority is granted due to the nature and timing of the work. Examinations generally run four to six weeks per an examination schedule. Travelers have the ability to either stay on location at the examination or travel home on the weekends. With this authority, the employee creates and self approves their own travel authorization. However, travel vouchers must be reviewed and approved by their Approving Officials. FHFA reviews the list of self-approvers on an annual basis.
\end{quote}

ARC confirms with FHFA annually, the FHFA employees who are permitted to self-approve travel authorizations.

\textsuperscript{5} During the year, there were two nonmonetary instances of FTR noncompliance identified by ARC: a data entry error and a case where the TMC was not used for reservations.

FACTS AND ANALYSIS ........................................................................................................

FHFA Has Adequate Written Policy and Procedures for its Travel Card Program; However, They Were Not Always Followed During Fiscal Year 2017

We found that FHFA’s Travel Policy, if fully implemented, prescribes a control regime that provides reasonable assurance that improper payments would not occur or would be detected in the normal course of business. However, our tests found shortcomings in implementation that require heightened management attention.

For fiscal year 2017, we determined that a total of 2,048 travel vouchers, totaling $2,954,116, were paid by FHFA. We selected and reviewed 68 travel vouchers totaling $138,309. We tested the 68 travel vouchers for compliance with nine specific requirements in the FTR and FHFA’s Travel Policy: (1) whether the travel authorization/voucher included a description/purpose of the travel; (2) whether the vouchered expenses were included on the approved travel authorization; (3) whether hotel taxes were paid/reimbursed in states that exempt taxes; (4) whether the air travel, Amtrak, and/or rental cars were reserved through the TMC; (5) whether the hotel rooms met federal requirements (FedRoom); (6) if a non-contract carrier was used, was it authorized in advance; (7) if a travel advance was taken, was it authorized in advance; (8) whether the traveler deviated from the authorized travel route; and (9) whether the voucher was submitted within five working days.

For 40 of the 68 travel vouchers tested totaling $71,341, we found that the vouchers met the nine requirements for which we tested and were properly supported as a valid use of Agency funds. We now discuss the exceptions that we identified in the 28 vouchers in our sample, totaling $66,968.

Reimbursement for Lodging Taxes in Exempted States (13 Vouchers)

We found 13 travel vouchers where the travel cardholders paid and were reimbursed for lodging taxes totaling $1,601 in states that exempt government issued travel cards from taxes. FHFA’s Travel Policy requires travelers to pay applicable lodging taxes, unless exempted by the state. The Travel Policy refers FHFA employees to the General Services Administration’s website for additional information and tax-exempt forms.

After we informed FHFA that these employees paid and were reimbursed for lodging taxes in exempt states, the A/OPC advised that the Agency initiated action to have the taxes refunded.
Untimely Vouchers (20 Vouchers)

The FTR and FHFA’s Travel Policy require FHFA employees to submit travel vouchers within five working days after trip conclusion. Twenty (20) vouchers in our sample were submitted more than 5 working days (between 6 and 48 working days) after the travel was completed. The A/OPC attributed some late-filed vouchers to the schedules of traveling employees who were working on extended out-of-town examinations and returning home only on weekends. According to the A/OPC, this schedule made the timely completion of travel vouchers “very difficult.”

This shortcoming was also cited in OIG’s 2014 audit report on FHFA’s travel card program.

Unapproved Travel Authorizations Before Travel Commenced (2 Vouchers)

The FTR and FHFA’s Travel Policy require FHFA employees to obtain approval, from authorized officials, of travel authorizations prior to the planned travel.

We found that for two tested travel vouchers totaling $4,644, FHFA employees did not have an approved travel authorization before they initiated their travel.

This shortcoming was also cited in our 2014 audit report on FHFA’s travel card program.

Other Travel Card Related Exceptions

Our testing also revealed the following exceptions:

- FHFA’s Travel Policy requires travelers to submit receipts for lodging and any expense over $75. For one tested travel voucher, the traveler did not submit a receipt for $584 in claimed lodging expenses. During our audit, FHFA provided the missing lodging receipt.

Our sample of 68 vouchers was statistically selected to be projectable. Due to the nature of or the low frequency of the exceptions found, we did not make projections of the exceptions to the population of fiscal year 2017 travel vouchers.

During the audit, in addition to our review of the sampled 68 travel vouchers, we analyzed charges billed to the Agency’s central government travel card and to the FHFA employees’ government-issued travel cards to determine whether employees (a) used their travel cards when they were not authorized to travel and/or (b) used another credit card (i.e., the Agency’s centrally billed travel card or their own personal credit card) while they were on official travel. That analyses identified:
The FTR and FHFA’s Travel Policy require FHFA employees with government-issued travel charge cards to use the cards for all official travel expenses, unless exempted. We found that two FHFA employees on official travel did not use their government-issued travel cards to pay for lodging expenses totaling $1,471. There was no documentation that an exemption applied.

The FTR and FHFA’s Travel Policy require FHFA employees to use their government-issued travel cards only for official travel. We found that two FHFA employees not on official travel used their government-issued travel cards to pay for nominal personal expenses (parking: $4; pharmacy: $21). FHFA’s A/OPC advised that the employees unintentionally used their government credit cards. In its technical comments to a draft of the report, FHFA informed that both employees promptly paid their card balances.

FINDINGS

As part of our audit, we reviewed FHFA’s Charge Card Plan that the Agency submitted to OMB on January 24, 2017, and found that it included the elements required by Circular A-123, Appendix B and OMB M-13-21. FHFA also has adequate written policies and procedures for the travel card program, but they were not always followed. Specifically, we found the following for the tested fiscal year 2017 travel vouchers:

- Thirteen vouchers involved travel cardholders that paid and were reimbursed for lodging taxes in states that exempt government-issued travel cards from taxes.
- Twenty vouchers were submitted more than 5 working days (between 6 and 48 working days) after the travel was completed.
- Two vouchers did not have an approved travel authorization before the FHFA employees initiated their travel.
- One voucher did not include a receipt for claimed lodging expenses.

We also found that two FHFA employees on official travel did not use their government-issued travel cards to pay for lodging expenses and two other FHFA employees not on official travel used their government-issued travel cards to pay for nominal personal expenses.
CONCLUSION AND RECOMMENDATION ........................................

FHFA policies and procedures for the use of travel cards, if fully implemented as described, prescribe a control regime that provides reasonable assurance that improper payments would not occur or would be detected in the normal course of business. Our tests found some compliance shortcomings with certain requirements. We believe that the shortcomings can be addressed through reinforcement of the requirements by the A/OPC, as well as through training provided to FHFA’s travelers and approving officials.

We recommend that FHFA:

1. Reinforce FHFA’s government travel card policies and procedures through periodic reminders to, and training of, FHFA travelers and approving officials, including requirements to ensure:

   - Travel cardholders do not pay lodging taxes in states that exempt government issued travel cards from taxes;
   - Employees submit vouchers within five working days after employees complete their travel, initiate travel only after their travel authorizations are approved, and submit required receipts with travel vouchers;
   - Employees use their government-issued travel cards for all official travel expenses; and
   - Employees use travel cards only for official travel.

FHFA COMMENTS AND OIG RESPONSE ........................................

We provided FHFA an opportunity to respond to a draft of this audit report. In its management response, which is included in the Appendix to this report, FHFA agreed with the recommendation. FHFA stated that it will send out periodic travel reminders to employees, which will cover the four topics in the recommendation. The initial reminder will be sent by December 31, 2018. FHFA also stated that it will develop and distribute training materials that cover these requirements to employees by June 30, 2019. We consider FHFA’s planned corrective actions responsive to our recommendation.
OBJECTIVES, SCOPE, AND METHODOLOGY .................................

The objectives of our audit were to determine whether (1) FHFA’s existing controls over the travel card program provide reasonable assurance that improper payments will not occur or will be detected in the normal course of business and (2) payments for travel card transactions were properly supported as a valid use of Agency funds. The scope of the audit focused on FHFA’s policies and procedures over its travel card program and FHFA’s travel card transactions between October 1, 2016, and September 30, 2017 (i.e., fiscal year 2017).

To address our objectives, we:

- Researched applicable laws, regulations, policies, and procedures applicable to FHFA’s government travel card program;
- Reviewed the Charge Card Act, OMB M-13-21, and the FTR regarding requirements that apply to FHFA;
- Reviewed the FHFA Director’s Federal Managers’ Financial Integrity Act of 1982 Statement of Assurance for fiscal year 2017 for any mention of internal control matters related to FHFA’s travel card program;
- Determined whether FHFA maintained and annually submitted its Charge Card Plan no later than January 31 for the audit period;
- Determined whether FHFA summarized its overall results in completed compliance summaries and internal assurance assessments in its annual Charge Card Plan;
- Determined the dollar amounts and other relevant statistical information for FHFA’s travel card program for fiscal year 2017;
- Interviewed FHFA’s Deputy Chief Financial Officer and other appropriate officials responsible for FHFA’s travel card program about (a) whether they had knowledge of any fraud or suspected fraud affecting the program, (b) whether they were aware of any allegations of fraud or suspected fraud affecting the program, (c) the nature and extent of monitoring they performed over the program, and (d) whether and how management communicated to cardholders and approving officials its views on the proper use of travel cards;
- Determined whether FHFA and/or ARC conducted any compliance testing of FHFA’s travel card program. This included obtaining (a) an understanding of the compliance
testing program in place during the audit period and (b) the results of the compliance testing performed, including any findings and recommendations;

- Reviewed the Government Accountability Office’s (GAO) report on its audit of FHFA’s financial statements for fiscal year 2017 to determine whether any deficiencies were reported related to FHFA’s travel card program. We also inquired of GAO staff about the scope and results of any testing of the program done for the review period of FHFA’s financial statements;

- Selected a statistical sample of 68 travel vouchers (excluding voucher fees) totaling $138,309 from the universe of 2,048 vouchers totaling $2,954,116 that were paid by FHFA for fiscal year 2017. The statistical sample size was the minimum required for a 10 percent margin of error for a 90 percent confidence level. For the 68 vouchers, we tested for compliance with provisions of the FTR and FHFA’s Travel Policy to include requirements for the proper authorization of travel, allowability of travel expenses claimed, and the review, posting, and approval of travel authorizations and vouchers;

- Analyzed the charges to the Agency’s centrally billed government travel card and FHFA employees’ government-issued travel cards to determine whether employees (a) used their travel cards when they were not authorized to travel and (b) used another credit card (i.e., the Agency’s centrally billed travel card or their personal credit card) while on official travel;

- Assessed the reliability of data received for this audit as determined necessary by corroborating the information with other source data; and

- Assessed the Agency’s internal controls related to the travel card program. Specifically, we evaluated the program’s control standards, including control activities and monitoring.

We conducted this performance audit between December 2017 and September 2018 in accordance with generally accepted government auditing standards. Those standards require that audits be planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions, based on our audit objectives.
Federal Housing Finance Agency

MEMORANDUM

TO: Marla Freedman, Deputy Inspector General for Audit
FROM: Mark Kinsey, Chief Financial Officer

SUBJECT: Draft Audit Report: Audit of FHFA’s Fiscal Year 2017 Government Travel Card Program: FHFA Needs to Emphasize Certain Program Requirements to Travelers and Approving Officials

DATE: September 24, 2018

This Memorandum transmits the management response of the Federal Housing Finance Agency (FHFA) to the FHFA Office of Inspector General’s (OIG) draft audit report referenced above (Report).

Recommendation 1

Reinforce FHFA’s government travel card policies and procedures through periodic reminders to, and training of, FHFA travelers and approving officials, including requirements to ensure:

- Travel card holders do not pay lodging taxes in states that exempt government issued travel cards from taxes;
- Employees submit vouchers within five working days after employees complete their travel, initiate travel only after their travel authorizations are approved, and submit required receipts with travel vouchers;
- Employees use their government-issued travel cards for all official travel expenses; and
- Employees use travel cards only for official travel.
Management Response to Recommendation 1

FHFA agrees with the recommendation. FHFA will send out periodic travel reminders to employees, which will cover the four topics in the recommendation. The initial reminder will be sent by December 31, 2018. FHFA will develop and distribute training materials that cover these requirements to employees by June 30, 2019.

I would like to acknowledge the dedicated OIG staff that worked with FHFA during this audit. If you have any questions relating to our response, please do not hesitate to call me at (202) 649-3780.

cc: John Major, Internal Controls and Audit Follow-up Manager
    Larry Stauffer, Acting Chief Operating Officer
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- Visit: www.fhfaoig.gov/ReportFraud
- Write:

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  Attn: Office of Investigations – Hotline  
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  Washington, DC  20219